

Latam Charts: What the Curves Say

- Latam’s sovereign yield curves have risen and steepened in line with global developments so far in 2021. They have also remained notably stable as capital inflows have continued despite the recent rise of political uncertainty in some countries.
- Argentina’s explosive third-wave surge in COVID-19 is not being mirrored elsewhere in the region.

YIELD CURVES MOVING ON GLOBAL DEVELOPMENTS

- Since the beginning of 2021, sovereign yield curves across Latam have progressively risen and in most cases steepened in response to global developments in the pandemic, inflation prints, and shifts in developed-market monetary policy expectations (see the Yield Curves section, pp. 6–7). Brazil’s initiation of the region’s first monetary-policy rate hikes has pushed its sovereign curve up the most markedly amongst its Latam peers, but all of the region’s curves have come to reflect market anticipation of higher policy rates by late-2021 or the first half of 2022. Hikes by the BCB’s Copom have helped to propel the BRL to the top of the emerging-market FX ranks (charts 1 and 2), a major turnaround anticipated by our forecasts.
- It’s notable that the shape of sovereign yield curves has changed little since the onset of local political uncertainty during the past few weeks in Chile, Colombia, and Peru. If anything, the region’s curves have flattened somewhat (table 1), in line with developed-market yields, as capital flows have continued to remain solid into Latam.

CONTACTS

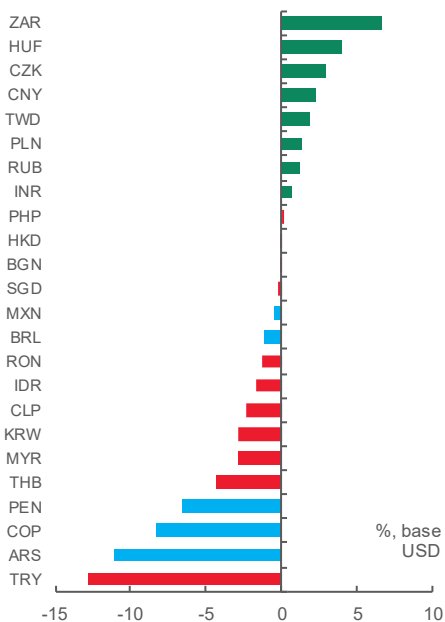
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Chart 1

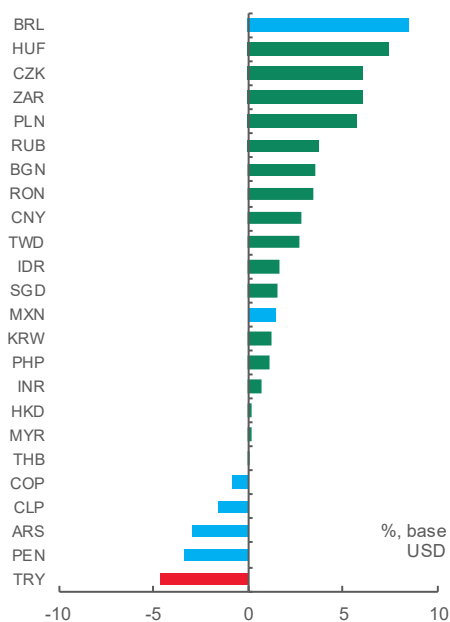
EM Spot Returns Since Jan. 1, 2021



Sources: Scotiabank Economics, Bloomberg.

Chart 2

EM Spot Returns Since April 1, 2021



Sources: Scotiabank Economics, Bloomberg.

Table 1

Sovereign yields, 2s10s spread, bps

| | Apr. 1 | May 28 |
|----------|--------|--------|
| Brazil | 269 | 239 |
| Chile | 286 | 292 |
| Colombia | 265 | 256 |
| Mexico | 257 | 176 |
| Peru | 398 | 388 |
| USA | 151 | 145 |
| Canada | 129 | 117 |

Sources: Scotiabank Economics, BBG.

ARGENTINA'S THIRD WAVE EXPLODES

- Argentina's recent explosion in new COVID-19 cases has focused a fresh spotlight on the pandemic's evolution in Latam, but developments elsewhere in the region are mixed.** Argentina hit an initial third surge in new COVID-19 cases in March, followed by a small breather in April, only to see new case numbers take off again in May (Key COVID-19 charts 7 and 8). As a result, the authorities announced on Thursday, May 20, that their first strict lockdown on most activities in 2021 would go into effect on Monday, May 31.
- Colombia's new COVID-19 infection numbers have also remained stubbornly high (Key COVID-19 charts 7 and 9).** A combination of some loosening in restrictions and a possible breakdown in physical distancing during political protests has combined to sustain the country's third wave amidst a relatively slow roll-out of vaccinations compared with the rest of Latam (chart 3).
- Still, in terms of cumulative per capita COVID-19-related deaths, official statistics imply that, outside of Brazil and Peru, the rest of the Latam-6 hasn't fared much worse than the US (table 2).** That said, official statistics clearly undercount COVID-19 deaths everywhere in the world.
- Chile continues to remain miles ahead of the rest of Latam—and much of the world—with its exemplary roll-out of vaccinations (chart 3, again).** But as vaccination rates start to ramp up gradually across the rest of Latam, new infection numbers (Key COVID-19 chart 7, again) and positivity rates (chart 4) continue to trend downward in Chile, Mexico, and Peru.

Table 2

Cumul. COVID-19 deaths, per mn people

| | |
|-----------|-------|
| Argentina | 1,688 |
| Brazil | 2,153 |
| Chile | 1,510 |
| Colombia | 1,712 |
| Mexico | 1,742 |
| Peru | 2,111 |
| US | 1,791 |
| Canada | 676 |

Sources: Scotiabank Economics, JHU.

Chart 3

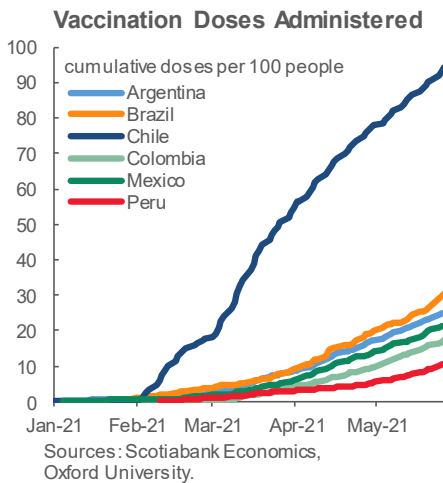
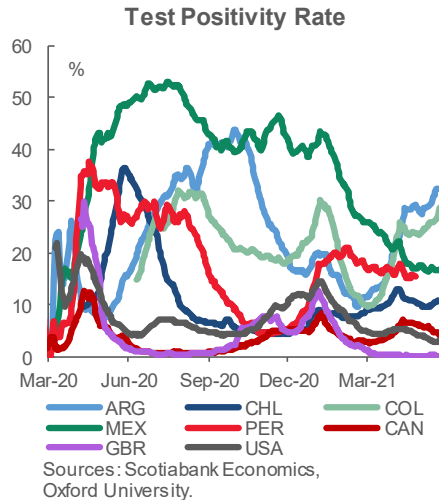
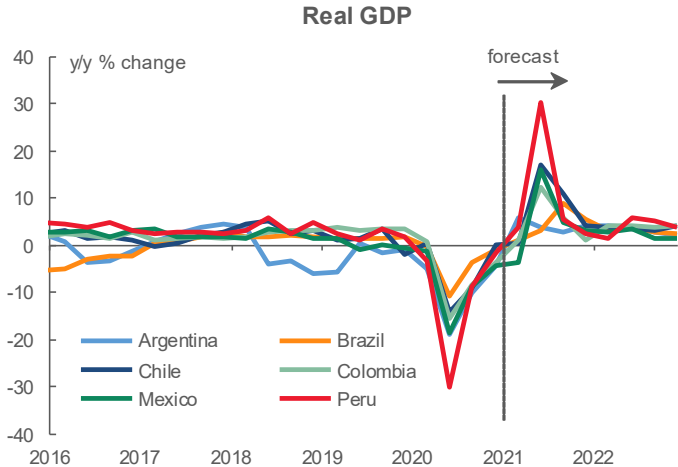


Chart 4



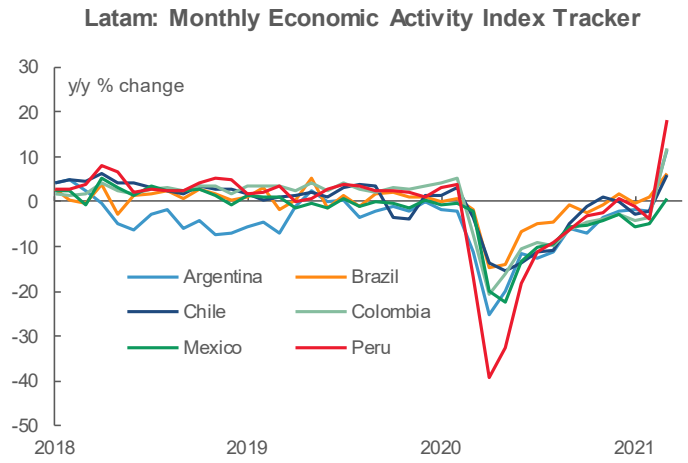
Key Economic Charts

Chart 1



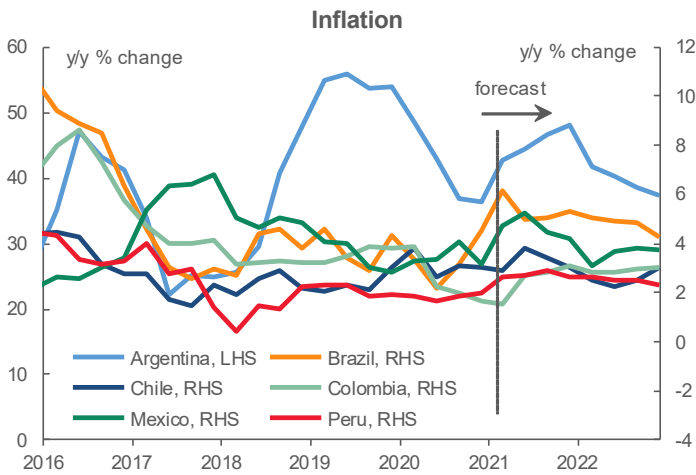
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



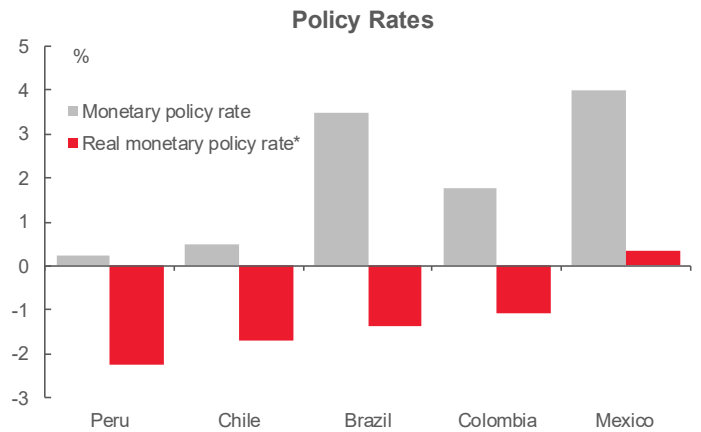
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



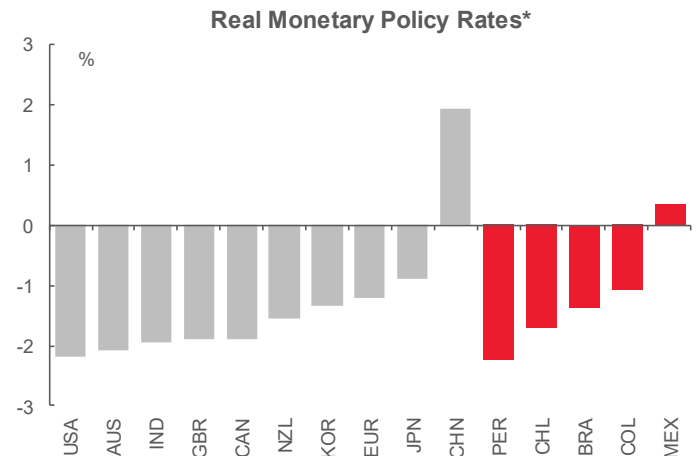
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



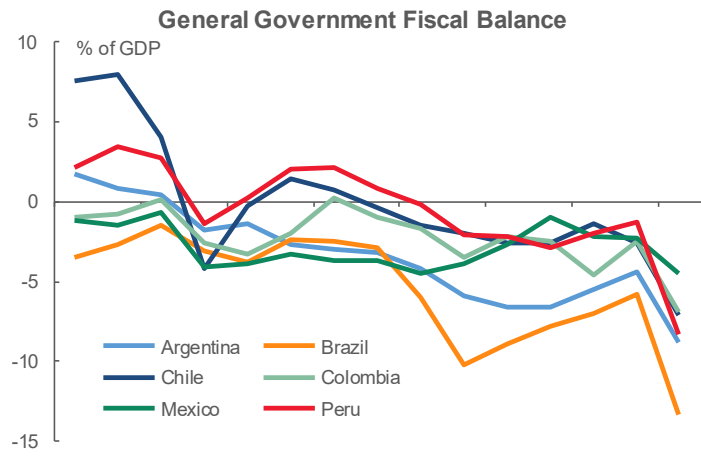
* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2022, % y/y. Argentina: MPR = 38.0%; Real MPR = -2.2%. Sources: Scotiabank Economics, Haver Analytics.

Chart 5



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2022, % y/y. Sources: Scotiabank Economics, Bloomberg.

Chart 6



Sources: Scotiabank Economics, IMF Fiscal Monitor, Apr. 2021.

Key Economic Charts

Chart 7

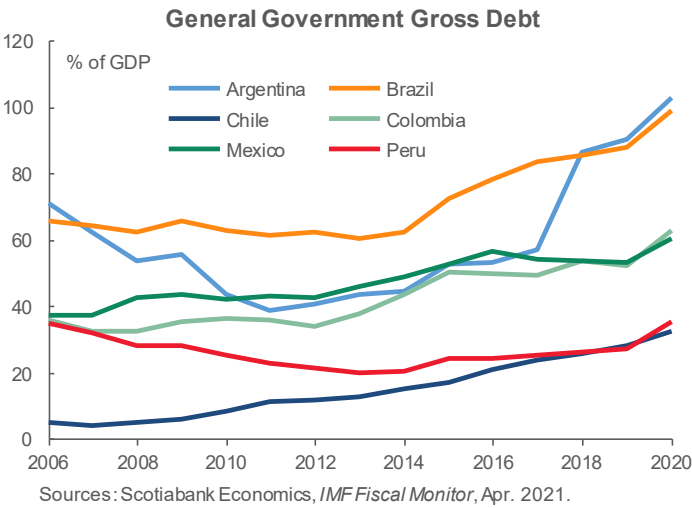


Chart 8

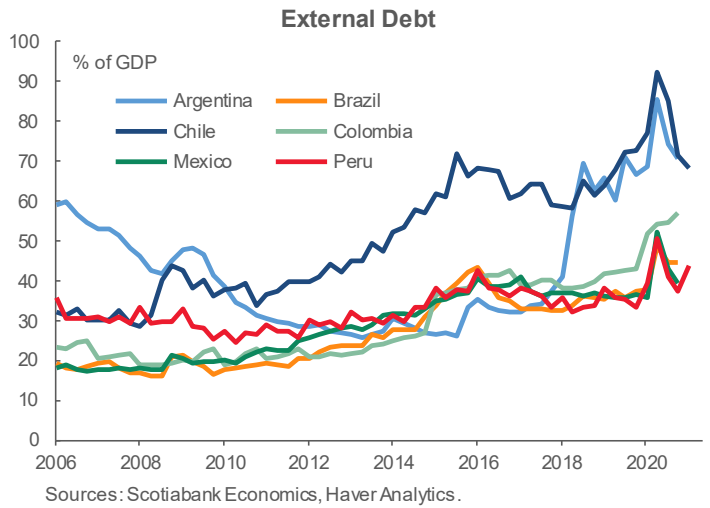


Chart 9

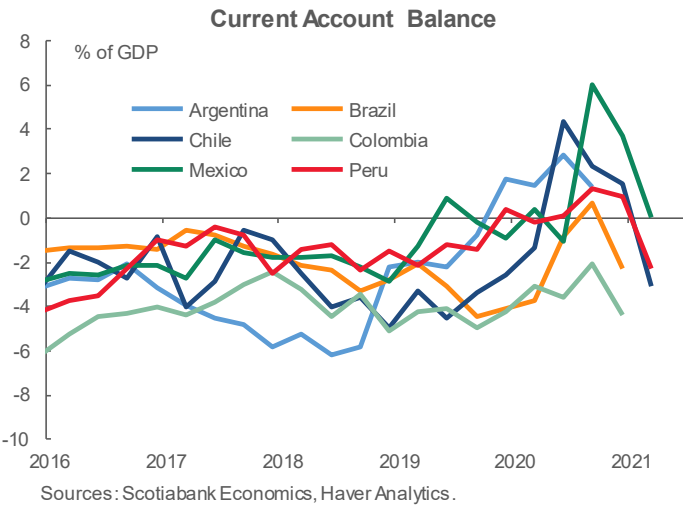
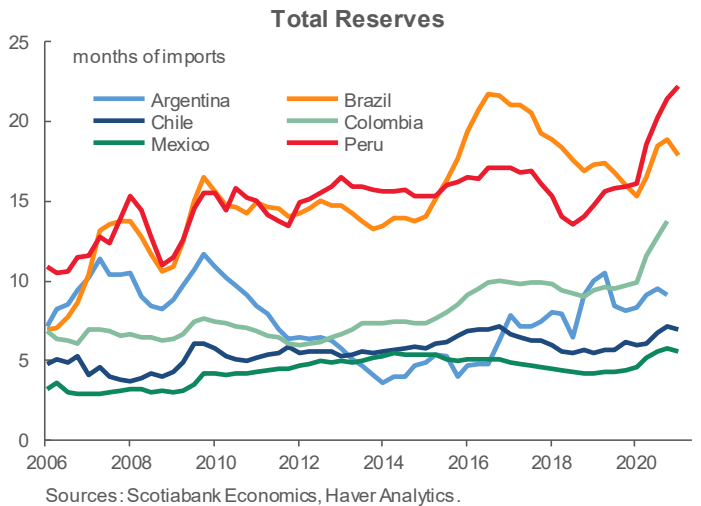


Chart 10



Key Market Charts

Chart 1

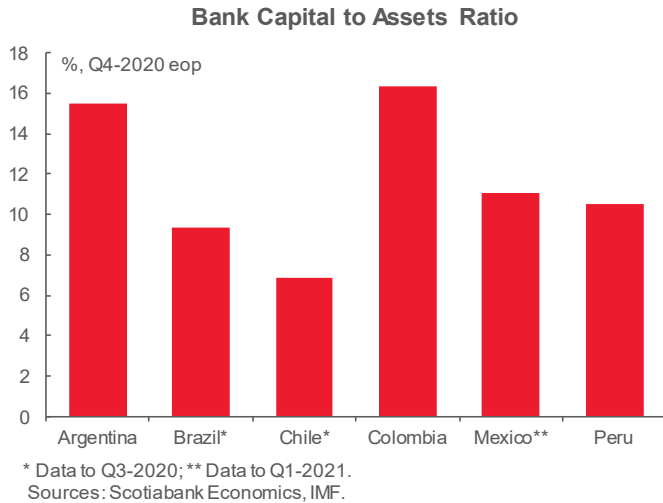


Chart 2

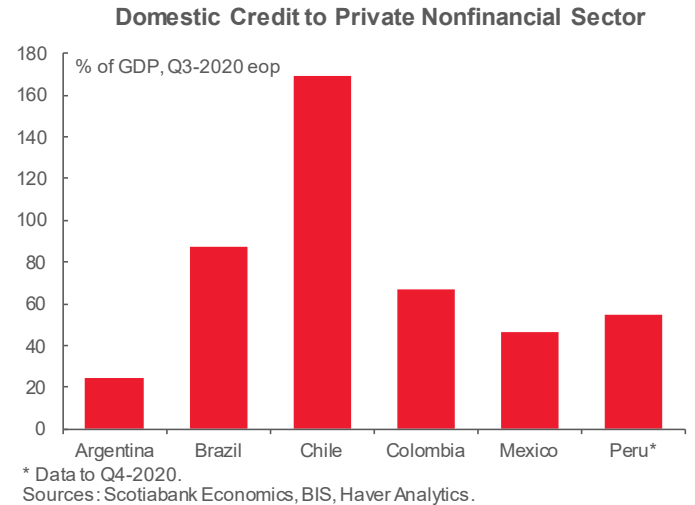


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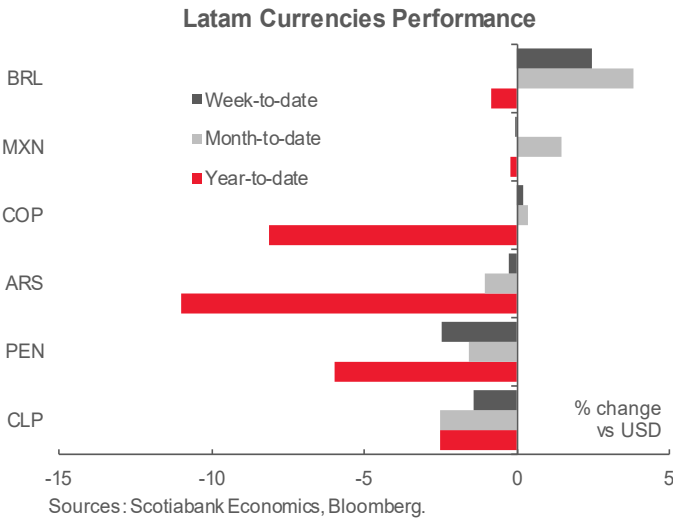


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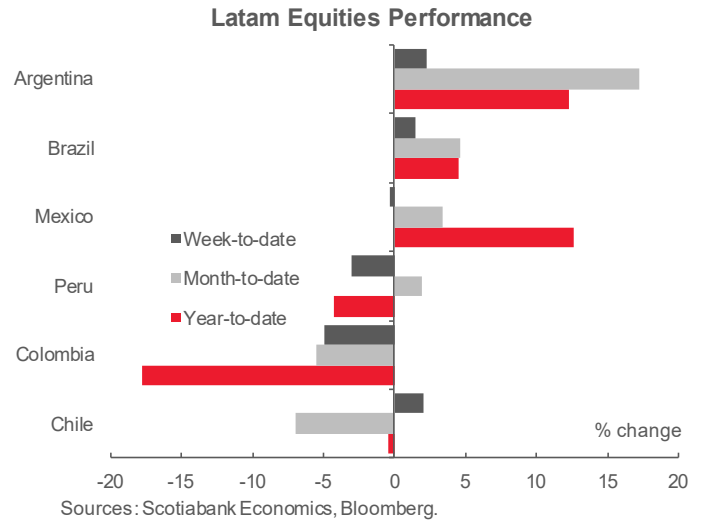


Chart 5

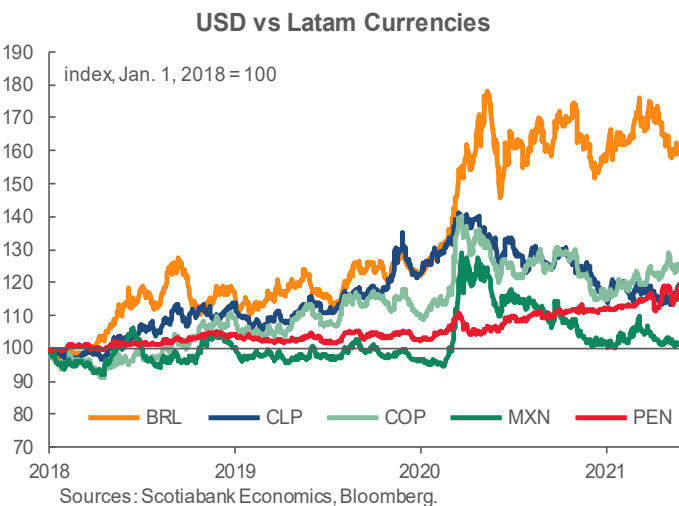
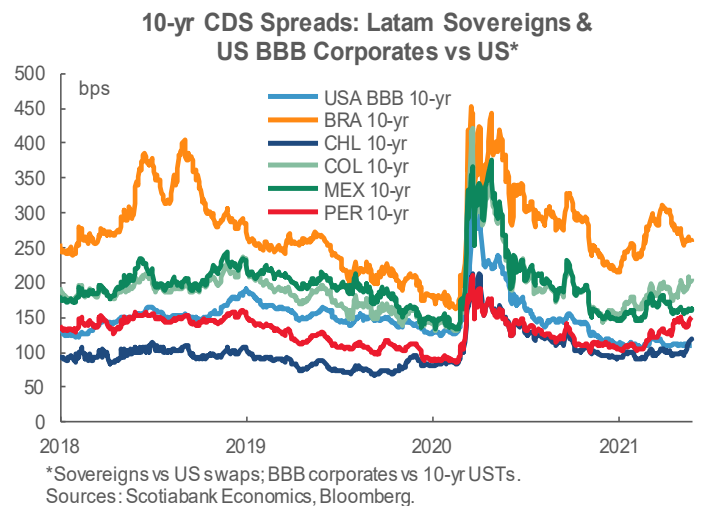
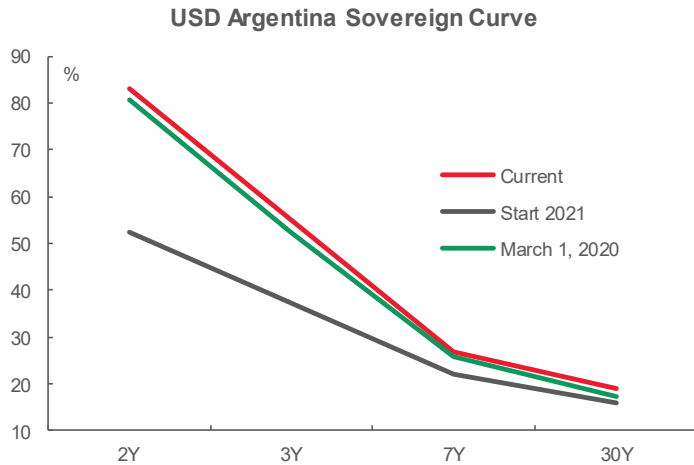


Chart 6



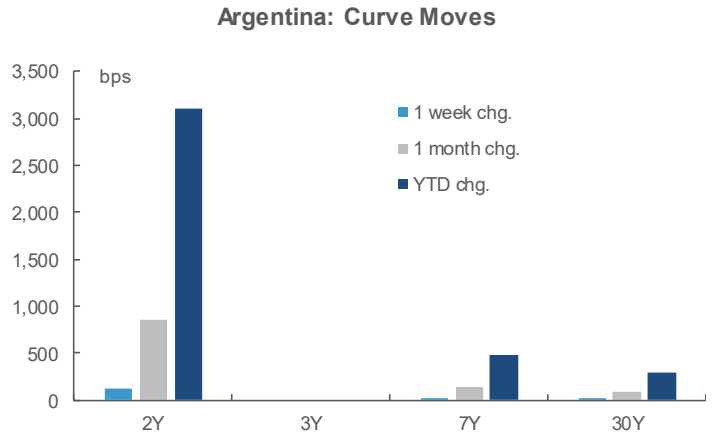
Yield Curves

Chart 1



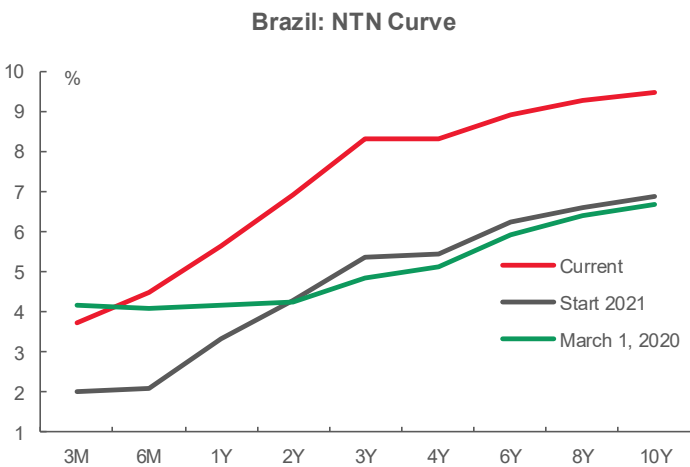
Sources: Scotiabank Economics, Bloomberg.

Chart 2



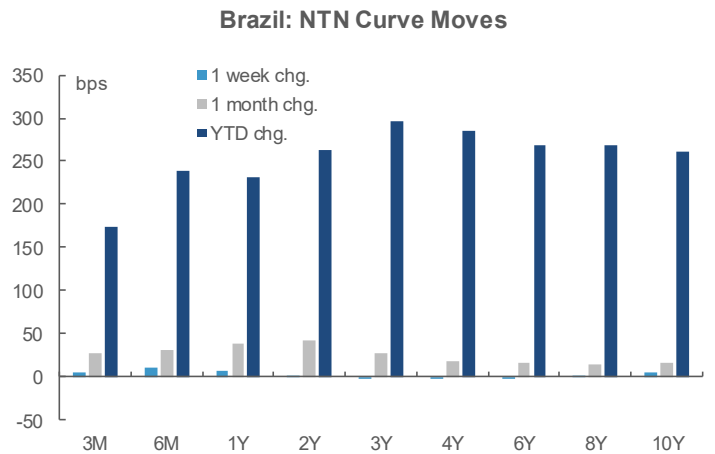
Sources: Scotiabank Economics, Bloomberg.

Chart 3



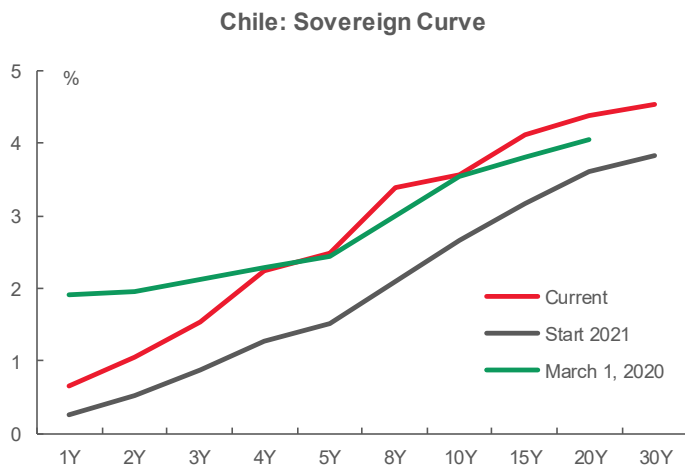
Sources: Scotiabank Economics, Bloomberg.

Chart 4



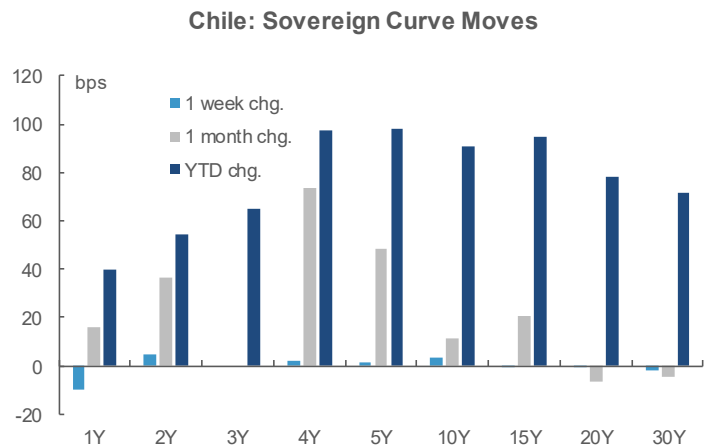
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6

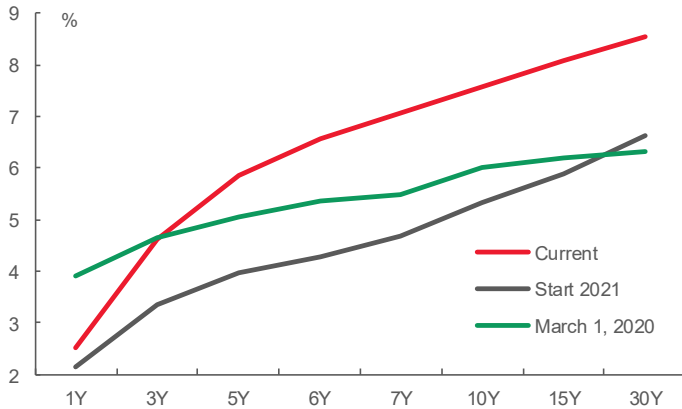


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 7

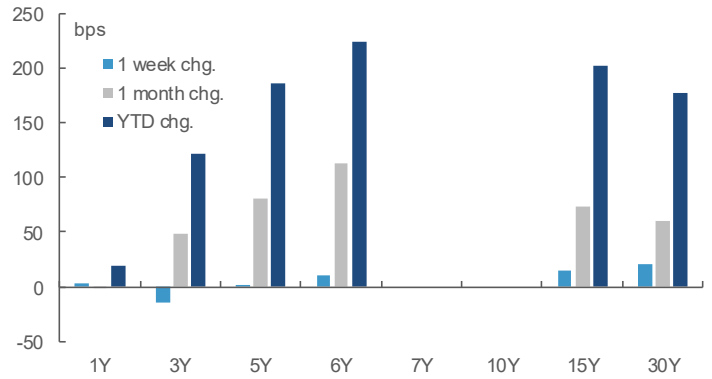
Colombia: Coltes Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 8

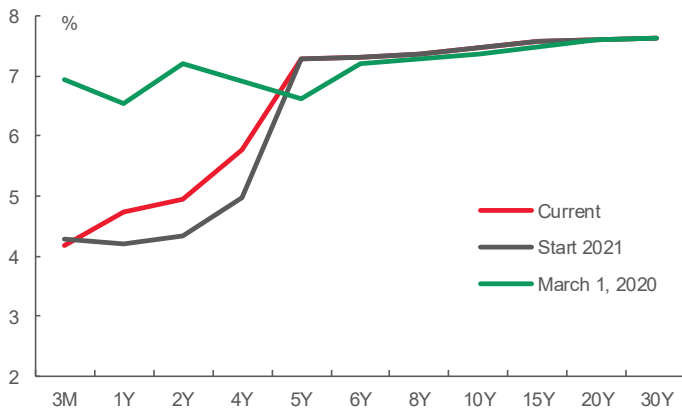
Colombia: Coltes Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 9

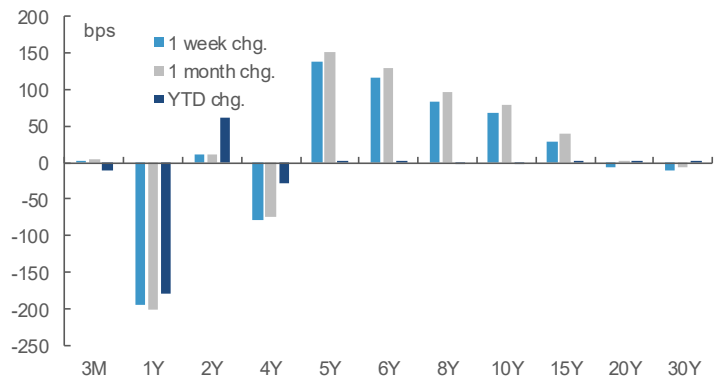
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 10

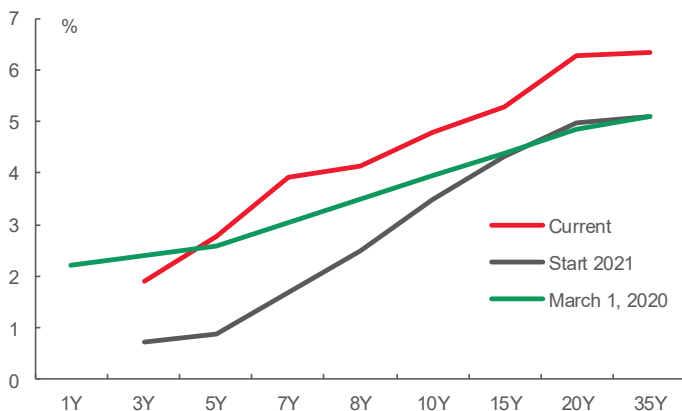
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 11

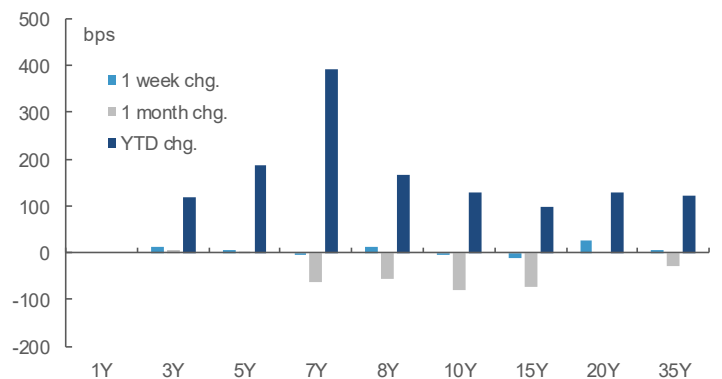
Peru: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 12

Peru: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Key COVID-19 Charts

Chart 1

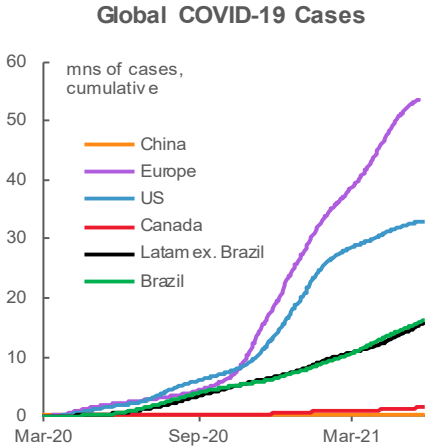


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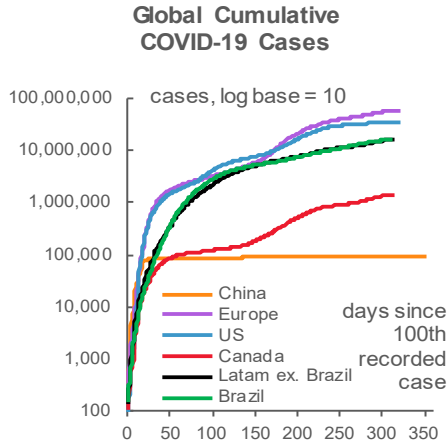


Chart 3

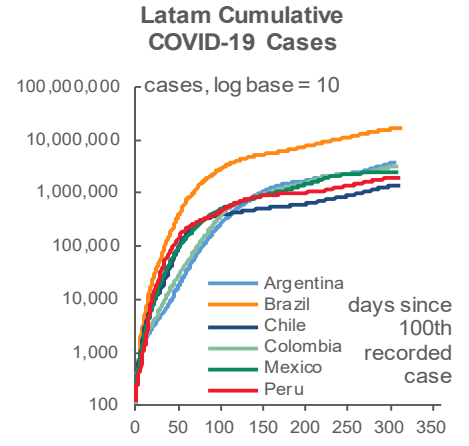


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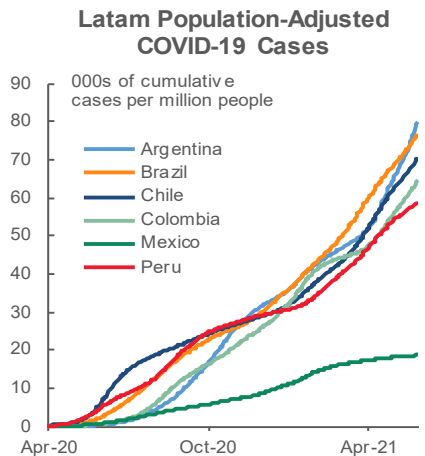


Chart 5

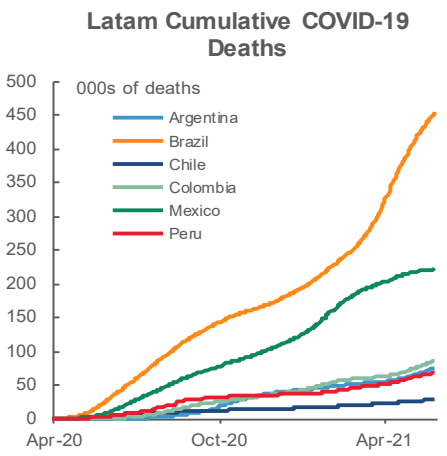


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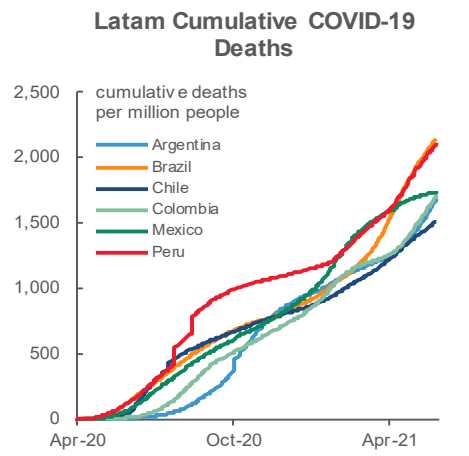


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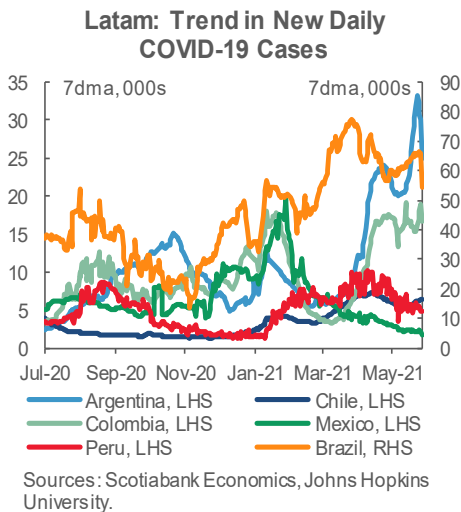


Chart 8

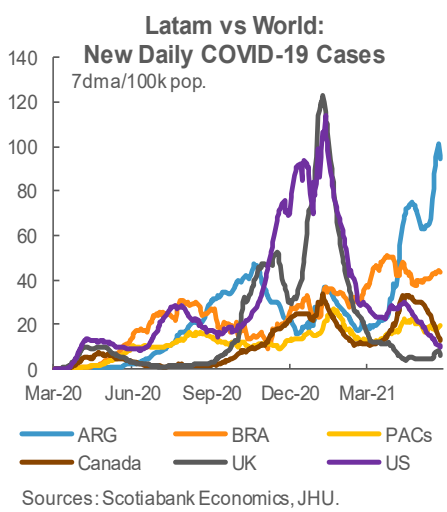
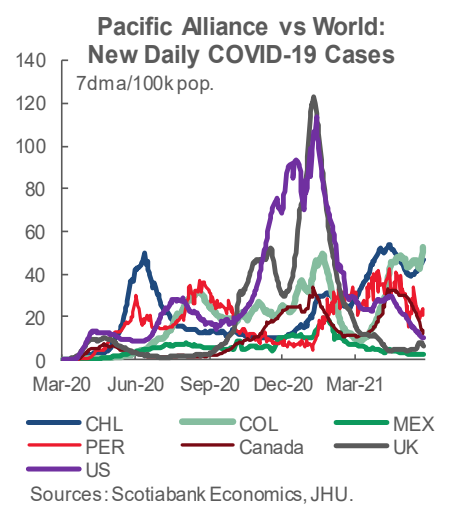


Chart 9



Market Events & Indicators for May 29–June 4

ARGENTINA

| Date | Time | Event | Period | BNS | Consensus | Latest | BNS Comments |
|-------|------|---------------------------------|--------|-----|-----------|--------|--------------|
| 06/01 | | Government Tax Revenue (ARS,bn) | May | -- | -- | 817.9 | |
| 06/03 | | Vehicle Exports Adefa | May | -- | -- | 15,848 | |
| 06/03 | | Vehicle Production Adefa | May | -- | -- | 29,315 | |
| 06/03 | | Vehicle Domestic Sales Adefa | May | -- | -- | 29,876 | |
| 06/04 | | Central Bank Survey | | | | | |

BRAZIL

| Date | Time | Event | Period | BNS | Consensus | Latest | BNS Comments |
|-------|-------|---------------------------------|--------|-----|-----------|---------|--|
| 05/31 | 8:30 | Primary Budget Balance (BRL,bn) | Apr | -- | 15.2 | 5.0 | |
| 05/31 | 8:30 | Nominal Budget Balance (BRL,bn) | Apr | -- | -- | -44.5 | |
| 05/31 | 8:30 | Net Debt % GDP | Apr | -- | 61.6 | 61.3 | |
| 06/01 | 7:00 | FGV CPI IPC-S | 31-May | -- | -- | 0.7 | |
| 06/01 | 8:00 | GDP (y/y) | 1Q | -- | 0.4 | -1.1 | |
| 06/01 | 8:00 | GDP (q/q) | 1Q | -- | 0.6 | 3.2 | |
| 06/01 | 8:00 | GDP 4Qtrs Accumulated | 1Q | -- | -3.9 | -4.1 | |
| 06/01 | 8:00 | PPI Manufacturing (m/m) | Apr | -- | -- | 4.8 | |
| 06/01 | 8:00 | PPI Manufacturing (y/y) | Apr | -- | -- | 29.2 | |
| 06/01 | 9:00 | Markit Brazil PMI Manufacturing | May | -- | -- | 52.3 | Mfg PMI should see a lift with gains in the rest of the world. |
| 06/01 | 14:00 | Trade Balance Monthly (USD,mn) | May | -- | -- | 10,349 | |
| 06/01 | 14:00 | Exports Total (USD,mn) | May | -- | -- | 26,481 | |
| 06/01 | 14:00 | Imports Total (USD,mn) | May | -- | -- | 16,132 | |
| 06/02 | | Vehicle Sales Fenabrave | May | -- | -- | 175,120 | |
| 06/02 | 4:00 | FIPE CPI - Monthly | May | -- | -- | 0.4 | |
| 06/02 | 8:00 | Industrial Production (m/m) | Apr | -- | -- | -2.4 | |
| 06/02 | 8:00 | Industrial Production (y/y) | Apr | -- | -- | 10.5 | |
| 06/04 | 9:00 | Markit Brazil PMI Composite | May | -- | -- | 44.5 | |
| 06/04 | 9:00 | Markit Brazil PMI Services | May | -- | -- | 42.9 | Services PMI could see marginal gains. |

CHILE

| Date | Time | Event | Period | BNS | Consensus | Latest | BNS Comments |
|-------|------|--------------------------------|--------|------|-----------|---------|--|
| 05/31 | 9:00 | Unemployment Rate (%) | Apr | 10.6 | -- | 10.4 | |
| 05/31 | 9:00 | Retail Sales (y/y) | Apr | 43.0 | -- | 23.8 | Explained by level effects and more liquidity due to the third round of pension withdrawals. |
| 05/31 | 9:00 | Commercial Activity (y/y) | Apr | -- | -- | 18.3 | |
| 05/31 | 9:00 | Manufacturing Production (y/y) | Apr | -- | -- | 3.9 | |
| 05/31 | 9:00 | Industrial Production (y/y) | Apr | -- | -- | 2.9 | |
| 05/31 | 9:00 | Copper Production Total (tons) | Apr | -- | -- | 491,720 | |
| 06/01 | 8:30 | Economic Activity (m/m) | Apr | -- | -- | -1.6 | |
| 06/01 | 8:30 | Economic Activity (y/y) | Apr | 7.5 | -- | 6.4 | Strong expansion fueled by level effects and quick adaptation to mobility restrictions. |
| 06/01 | | IMCE Business Confidence | May | -- | -- | 51.4 | |

COLOMBIA

| Date | Time | Event | Period | BNS | Consensus | Latest | BNS Comments |
|-------|-------|----------------------------------|--------|----------|-----------|----------|--|
| 05/31 | 11:00 | National Unemployment Rate (%) | Apr | 14.4 | -- | 14.2 | The new restrictions due to the third wave of COVID-19 should hit the jobs recovery. Services |
| 05/31 | 11:00 | Urban Unemployment Rate (%) | Apr | 17.0 | -- | 16.8 | sectors will likely suffer the most as weekends were under strict lockdowns in Bogota |
| 05/31 | 11:00 | Exports FOB (USD,mn) | Apr | -- | -- | 3,326.6 | and other major cities. |
| 06/01 | 11:00 | Davivienda Colombia PMI Mfg | May | -- | -- | 54.0 | |
| 06/01 | | Current Account Balance (USD,mn) | 1Q | -3,293.0 | -- | -3,114.2 | The current account deficit should widen as the economic recovery induced greater imports. For 2021 we expect a current account deficit of -3.8% of GDP. |

MEXICO

| Date | Time | Event | Period | BNS | Consensus | Latest | BNS Comments |
|-------|-------|---|--------|-----|-----------|---------|---|
| 05/31 | 10:00 | Net Outstanding Loans (MXN,bn) | Apr | -- | -- | 4,586.4 | |
| 06/01 | 10:00 | Remittances Total (USD,mn) | Apr | -- | -- | 4,151.9 | |
| 06/01 | 10:00 | International Reserves Weekly (USD,mn) | 28-May | -- | -- | 194,381 | |
| 06/01 | 10:00 | Central Bank Economist Survey | | | | | |
| 06/01 | 10:30 | Markit Mexico PMI Mfg | May | -- | -- | 48.4 | |
| 06/01 | 13:00 | IMEF Manufacturing Index SA | May | -- | -- | 50.3 | |
| 06/01 | 13:00 | IMEF Non-Manufacturing Index SA | May | -- | -- | 53.2 | |
| 06/02 | 7:00 | Vehicle Domestic Sales | May | -- | -- | 83,612 | |
| 06/02 | 7:00 | Leading Indicators ((m/m)) | Apr | -- | -- | 0.3 | |
| 06/02 | 13:00 | Mexican Central Bank Releases Inflation Report | | | | | Forecasts may be upgraded again on strength from the end of Q1. |
| 06/03 | 7:00 | Consumer Confidence | May | -- | -- | 42.4 | |
| 06/04 | 7:00 | Vehicle Exports | May | -- | -- | 234,584 | |
| 06/04 | 7:00 | Vehicle Production | May | -- | -- | 269,180 | |

PERU

| Date | Time | Event | Period | BNS | Consensus | Latest | BNS Comments |
|-------|-------|----------------|--------|-----|-----------|--------|---|
| 06/01 | 11:00 | Lima CPI (m/m) | May | 0.3 | -- | -0.1 | FX pass-through and non-core prices fuelling gains. |
| 06/01 | 11:00 | Lima CPI (y/y) | May | 2.4 | -- | 2.4 | Core remains stable at 1.7% y/y. |

Forecasts at time of publication.
 Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage



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